



## Senate

General Assembly

January Session, 2007

**File No. 726**

Senate Bill No. 1450

*Senate, May 3, 2007*

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

### **AN ACT ESTABLISHING A MUNICIPAL CAPITAL INVESTMENT COMMISSION.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2007*) (a) As used in this  
2 section:

3 (1) "Bonds" means general obligations of the state for the payment of  
4 the principal of and interest on which, as the same become due, the full  
5 faith and credit of the state are pledged;

6 (2) "Bond act" means a general statute, public act or special act of the  
7 General Assembly empowering the Municipal Capital Investment  
8 Commission, through the office of the Treasurer, to authorize bonds  
9 heretofore enacted or hereafter enacted;

10 (3) "Refunding bonds" means bonds authorized to be issued and  
11 sold pursuant to subsection (h) of this section;

12 (4) "Resolution" means a resolution adopted by a majority of the

13 members of the Municipal Capital Investment Commission. The  
14 adoption of a resolution is hereby deemed to satisfy and supersede the  
15 requirement of any bond act for a written determination signed by the  
16 majority of the members of the Municipal Capital Investment  
17 Commission and filed in the office of the Secretary of the State;

18 (5) "Municipal Capital Investment Commission" or "commission"  
19 means the Municipal Capital Investment Commission as established in  
20 this section.

21 (b) (1) There is established the Municipal Capital Investment  
22 Commission, which shall consist of the speaker of the House of  
23 Representatives, the president pro tempore of the Senate, the majority  
24 leader of the House of Representatives, the minority leader of the  
25 House of Representatives, the majority leader of the Senate, the  
26 minority leader of the Senate, the cochairpersons and ranking  
27 members of the joint standing committee of the General Assembly  
28 having cognizance of matters relating to finance, revenue and bonding  
29 and the Secretary of the Office of Policy and Management. Each of  
30 such members may designate a deputy to represent him or her as a  
31 member at meetings of the Municipal Capital Investment Commission,  
32 with full powers to act and vote in such member's behalf. The  
33 members of said commission shall serve without compensation.

34 (2) The cochairpersons of said commission shall be the speaker of  
35 the House of Representatives and the president pro tempore of the  
36 Senate. Such cochairpersons shall schedule all meetings of the  
37 commission.

38 (c) All bonds of the state, authorized by the State Bond Commission  
39 acting prior to July 1, 2007, pursuant to any bond act taking effect prior  
40 to such date, shall be issued in accordance with such bond act or this  
41 section. All bonds of the state authorized to be issued by the Municipal  
42 Capital Investment Commission acting on or after July 1, 2007,  
43 pursuant to section 6 or 7 of this act, taking effect on or after such date  
44 shall be authorized and shall be issued in accordance with this section,  
45 provided no amount of bonds in excess of one hundred million dollars

46 shall be authorized or issued in one fiscal year for the purposes of said  
47 sections by the Municipal Capital Investment Commission.

48 (d) The principal and interest of bonds, refunding bonds, other  
49 obligations or borrowings in anticipation thereof, their transfer and the  
50 income therefrom, including any profit on the sale or transfer thereof,  
51 shall at all times be exempt from any taxation by the state of  
52 Connecticut or under its authority, except for estate or succession  
53 taxes.

54 (e) With the exception of refunding bonds, the proceeds of the sale  
55 of the bonds and any moneys held or otherwise set aside for the  
56 repayment of the bonds shall be deposited with the Treasurer or, at the  
57 direction of the Treasurer, with a commercial bank or trust company,  
58 in trust for the benefit of the state, pending the use or application  
59 thereof, for the purpose and projects specified in the bond act  
60 empowering the Municipal Capital Investment Commission to  
61 authorize such bonds. Any expense incurred in connection with the  
62 carrying out of the provisions of this section, including the issuance of  
63 refunding bonds, shall be paid from the accrued interest and  
64 premiums or from the proceeds of the sale of such bonds or refunding  
65 bonds and in the same manner as other obligations of the state. With  
66 the exception of the proceeds of refunding bonds deposited in a  
67 defeasance escrow fund, pending the use or application of any such  
68 bond proceeds or any such funds, such proceeds or funds may be  
69 deposited with the Treasurer in such fund or funds of the state as  
70 appropriate or at the direction of the Treasurer in a commercial bank  
71 or trust company with or without security to the credit of such fund or  
72 funds, or may be invested by, or at the direction of, the Treasurer in  
73 bonds or obligations of, or guaranteed by, the state or the United  
74 States, or agencies or instrumentalities of the United States, in  
75 certificates of deposit, commercial paper, savings accounts and bank  
76 acceptances, in the obligations of any state of the United States or any  
77 political subdivision thereof or the obligations of any instrumentality,  
78 authority or agency of any state or political subdivision thereof,  
79 provided that at the time of investment such obligations are rated

80 within one of the top two rating categories of any nationally  
81 recognized rating service or of any rating service recognized by the  
82 Banking Commissioner, and applicable to such obligations, in the  
83 obligations of any regional school district in this state, of any  
84 municipality in this state or any metropolitan district in this state,  
85 provided that at the time of investment such obligations of such  
86 government entity are rated within one of the top three rating  
87 categories of any nationally recognized rating service or of any rating  
88 service recognized by the Banking Commissioner, and applicable to  
89 such obligations, or in any fund in which a trustee may invest  
90 pursuant to section 36a-353, or in investment agreements with  
91 financial institutions whose long-term obligations are rated within the  
92 top two rating categories of any nationally recognized rating service or  
93 of any rating service recognized by the Banking Commissioner or  
94 whose short-term obligations are rated within the top rating category  
95 of any nationally recognized rating service or of any rating service  
96 recognized by the Banking Commissioner, or investment agreements  
97 fully secured by obligations of, or guaranteed by, the United States or  
98 agencies or instrumentalities of the United States. Except as may be  
99 provided herein or in any other public or special act, net earnings of  
100 investments of proceeds of bonds and such funds, and accrued interest  
101 and premiums on the issuance of such bonds shall, after payment of  
102 expenses incurred by the Treasurer or the Municipal Capital  
103 Investment Commission in connection with their issuance, if any, be  
104 deposited to the credit of the General Fund.

105 (f) (1) With the exception of refunding bonds, whenever section 6 or  
106 7 of this act, empowers the Municipal Capital Investment Commission  
107 to authorize bonds for any project or purpose or projects or purposes,  
108 and whenever the Municipal Capital Investment Commission finds  
109 that the authorization of such bonds will be in the best interests of the  
110 state, it shall authorize such bonds by resolution adopted by the  
111 approving vote of at least a majority of said commission. No such  
112 resolution shall be so adopted by the Municipal Capital Investment  
113 Commission unless it finds that there has been filed with it (A) a  
114 human services facility colocation statement, as described in section

115 4b-23 of the general statutes, to be filed with the director of the Office  
116 of the Municipal Capital Investment Commission, if so requested by  
117 the director; (B) a statement from the Commissioner of Agriculture  
118 pursuant to section 22-6 of the general statutes, for projects which  
119 would convert twenty-five or more acres of prime farmland to a  
120 nonagricultural use; (C) prior to the meeting at which such resolution  
121 is to be considered, any capital development impact statement  
122 required to be filed with the director of the Office of the Municipal  
123 Capital Investment Commission; (D) a statement as to the full cost of  
124 the project or purpose when completed and the estimated operating  
125 cost for any structure, equipment or facility to be constructed or  
126 acquired; (E) if appropriate and requested by said director, a statement  
127 from the regional council of governments in the region where such  
128 project or purpose shall be located, that such project or purpose has  
129 been reviewed and is endorsed by such council; and (F) such requests  
130 and such other documents as it or said bond act requires, provided any  
131 resolution requiring a capital impact statement shall be deemed not  
132 properly before the Municipal Capital Investment Commission until  
133 such capital development impact statement is filed. Any such  
134 resolution so adopted by the Municipal Capital Investment  
135 Commission shall recite the bond act under which said commission is  
136 empowered to authorize such bonds and the filing of all requests and  
137 other documents, if any, required by it or such bond act, and shall state  
138 the principal amount of the bonds authorized and a description of the  
139 purpose or project for which such bonds are authorized. Such  
140 description shall be sufficient if made merely by reference to a  
141 numbered subsection, subdivision or other applicable section of such  
142 bond act.

143 (2) The agenda of each meeting shall be agreed upon by the  
144 cochairpersons, and shall be made available to the members of the  
145 commission not later than seven calendar days prior to the meeting at  
146 which such agenda is to be considered. The day of the meeting shall  
147 count as one of the calendar days. The agenda of each meeting, or any  
148 supporting documents included with such agenda, shall include a  
149 reference to the statute or public or special act which is the source of

150 any funds to be used for any project on such agenda, including any  
151 contingency funds and any reuse or reallocation of funds previously  
152 approved for any other use or project, and a notation of the outside  
153 source from which any funds for any such project were received, if  
154 any.

155 (3) Upon adoption of a resolution, the principal amount of the  
156 bonds authorized therein for such purpose or project shall be deemed  
157 to be allocated in such amount for such purpose or project,  
158 respectively, and contracts may be awarded and obligations incurred  
159 with respect to any such project or purpose in amounts not in the  
160 aggregate exceeding such authorized principal amount,  
161 notwithstanding that such contracts and obligations may at a  
162 particular time exceed the amount of the proceeds from the sale of  
163 such bonds theretofore received by the state. In any such resolution so  
164 adopted, the Municipal Capital Investment Commission may include  
165 provision for the date or dates of such bonds, the maturity of such  
166 bonds and provision for either serial or term, sinking fund or other  
167 reserve fund requirements, if any, due dates of the interest thereon, the  
168 form of such bonds, the denominations and designation of such bonds,  
169 registration, conversion and transfer privileges and the terms of  
170 redemption with or without premium and the date and manner of sale  
171 of such bonds, provisions for the consolidation of such bonds with  
172 other bonds including refunding bonds for the purpose of sale as  
173 provided in subsection (g) of this section, limitations with respect to  
174 the interest rate or rates on such bonds, provisions for receipt and  
175 deposit or investment of the good faith deposit pending delivery of  
176 such bonds and such other terms and conditions of such bonds and of  
177 the issuance and sale thereof as the Municipal Capital Investment  
178 Commission may determine to be in the best interest of the state,  
179 provided the Municipal Capital Investment Commission may delegate  
180 to the Treasurer all or any part of the foregoing powers in which event  
181 the Treasurer shall exercise such powers until the Municipal Capital  
182 Investment Commission, by adoption of a resolution prior to exercise  
183 of such powers by the Treasurer shall elect to reassume the same. Such  
184 powers shall be exercised from time to time in such manner as the

185 Treasurer shall determine to be in the best interests of the state and the  
186 Treasurer shall file a certificate of determination setting forth the  
187 details thereof with the secretary of the Municipal Capital Investment  
188 Commission on or before the date of delivery of such bonds, the details  
189 of which were determined by the Treasurer in accordance with such  
190 delegation.

191 (4) On or before January 1, 2008, and annually thereafter, the  
192 legislative Office of the Municipal Capital Investment Commission  
193 shall submit a report to the Municipal Capital Investment Commission,  
194 which report shall update, for all outstanding bond allocations, the  
195 statement required under subparagraph (D) of subdivision (1) of this  
196 subsection.

197 (5) The Municipal Capital Investment Commission may authorize  
198 the Commissioner of Economic and Community Development to defer  
199 payments of interest or principal, or a portion thereof, in the case of a  
200 troubled loan, as defined in subdivision (1) of subsection (e) of section  
201 8-37x of the general statutes, made by said commissioner under any  
202 provision of section 6 or 7 of this act.

203 (g) Bonds or portions thereof, including refunding bonds authorized  
204 by any general statute, public act or special act of the General  
205 Assembly, to be issued by the commission or by the Treasurer, may be  
206 consolidated for the purpose of sale and issued, sold, printed and  
207 delivered as a single bond issue, provided, if bonds authorized under  
208 two or more bond acts are issued as a single bond issue or if bonds  
209 authorized under one or more bond acts together with refunding  
210 bonds are issued as a single bond issue, a separate maturity schedule  
211 or sinking fund requirements, if any, for such bonds or portions  
212 thereof authorized under each bond act and for the refunding bonds  
213 shall be established and filed with the secretary of the Municipal  
214 Capital Investment Commission on or before the date of delivery of  
215 such bonds.

216 (h) Notwithstanding any other provision of this section or of any  
217 general statute, public act or special act of the General Assembly,

218 whenever the Treasurer finds that it is in the best interests of the state  
219 to refund bonds issued pursuant to this section or pursuant to section 6  
220 or 7 of this act, and whether such bonds to be refunded are or are not  
221 subject to redemption prior to maturity, refunding bonds of the state  
222 may be issued for the purpose of purchasing, paying, funding or  
223 refunding such bonds and the interest payable thereon in advance of  
224 their maturity, or, if subject to redemption, at such redemption date or  
225 dates as provided in such bonds, at maturity or on such date or dates  
226 as determined by the Treasurer. No such refunding bonds shall be  
227 issued unless they are part of an issue described in a bond  
228 determination made and signed by the Treasurer in accordance with  
229 and pursuant to this subsection of which a copy has been filed with the  
230 secretary of the Municipal Capital Investment Commission prior to  
231 delivery of such refunding bonds and such determination (A) sets  
232 forth the maturities of the bonds, including any refunding bonds, and  
233 the interest installments thereof, to be paid from the proceeds of the  
234 refunding bonds, and (B) includes a certification of the Treasurer that  
235 the state reasonably expects as of the date of the certification to  
236 achieve, as a result of the sale of such refunding bonds and the  
237 investment and application of the proceeds of such sale, net debt  
238 service savings. Upon the issuance of any refunding bonds, the  
239 proceeds from the sale thereof shall be deemed to have been  
240 appropriated and pledged for and shall be used and applied to the  
241 purchase, redemption or payment of the bonds to be so refunded,  
242 including the payment of any redemption premium thereon and any  
243 interest accrued or to accrue thereon to the date of purchase,  
244 redemption or payment of such bonds at or prior to the maturity of  
245 such bonds as set forth in the bond determination. The refunding  
246 bonds authorized and issued pursuant to this subsection shall be  
247 general obligations of the state and the full faith and credit of the state  
248 are pledged for the payment of the principal of and interest on said  
249 bonds as the same become due, and accordingly as part of the contract  
250 of the state with the holders of said bonds, appropriation of all  
251 amounts necessary for punctual payment of such principal, including  
252 any amount of a mandatory sinking fund requirement as provided in



253 such contract, and interest is hereby made, and the Treasurer shall pay  
254 such amounts as the same become due. Pending such use or  
255 application of the proceeds of refunding bonds issued pursuant to this  
256 subsection, such proceeds may be invested in accordance with and  
257 subject to the provisions of such bond determination, in obligations of,  
258 or guaranteed by, the state or the United States or any agency or  
259 instrumentality of the United States or in certificates of deposit or time  
260 deposits secured by such obligations, or without limiting the foregoing  
261 in bonds, debentures, notes or participation certificates or other  
262 obligations issued by federal land banks, the Federal National  
263 Mortgage Agency, the federal home loan bank system, the Export  
264 Import Bank, the Government National Mortgage Association, the  
265 federal intermediate credit banks, the Tennessee Valley Authority,  
266 public housing authorities and fully secured by payment of both  
267 principal and interest by a pledge of annual contributions under  
268 contracts with the United States of America, the United States Postal  
269 Service, banks for cooperatives and the Farmers Home Administration  
270 and shall be held in trust by the Treasurer for use, application and  
271 investment as aforesaid separate and apart from other funds of the  
272 state or may be deposited with a trustee in trust for such use,  
273 application and investment, upon the execution of the bond  
274 determination. The Treasurer is authorized to execute contracts for  
275 such holding, deposit, use, application and investment of such  
276 proceeds. Except as may be provided in the bond determination  
277 authorizing refunding bonds pursuant to this subsection, net earnings  
278 of investments of proceeds of such refunding bonds not needed for the  
279 purpose for which such refunding bonds were authorized shall be  
280 deposited in the General Fund. In any such bond determination of the  
281 Treasurer authorizing refunding bonds pursuant to this subsection,  
282 said Treasurer may include provision for the date or dates of such  
283 refunding bonds, the principal amount of such refunding bonds, the  
284 maturity date or dates of such refunding bonds and provisions relating  
285 to serial or term bonds and sinking or other reserve fund requirements,  
286 if any, the establishment and terms of any trust or trusts held by a  
287 trustee or by the Treasurer pursuant to this subsection, due dates of

the interest on such refunding bonds, the form thereof, including execution and issuance to the purchasers, pending preparation of definitive refunding bonds, of temporary bonds without coupons exchangeable for the definitive bonds when prepared, executed and ready for delivery, the denominations and designation of such refunding bonds, registration, conversion and transfer privileges and the terms of redemption with or without premium, the date and manner of sale of such refunding bonds, either public or private, at such price or prices as the Treasurer may determine, provisions for the consolidation of such refunding bonds with other bonds for the purpose of sale as provided in subsection (g) hereof, limitations with respect to the interest rate or rates of such refunding bonds, provisions for receipt and deposit or investment of the good faith deposit pending delivery of such refunding bonds and such other terms and conditions of such refunding bonds and of the issuance and sale thereof and the investment of the proceeds thereof as the Treasurer may determine to be in the best interests of the state. For the purposes of this subsection, "refunding bonds" means bonds, notes or other evidences of indebtedness including commercial paper and shall be deemed to include any of those agreements authorized by section 3-20a of the general statutes, as amended by this act, to the extent that the Treasurer determines that the execution thereof is appropriate or necessary to satisfy the refunding requirements of this subsection.

(i) The director of the Office of the Municipal Capital Investment Commission shall be the secretary of the Municipal Capital Investment Commission and shall be responsible for keeping complete records of the commission, including minutes certified by such director of any meeting showing the adoption of any resolution by the commission and other actions taken by and documents filed with the commission, and such records shall be the official records of the proceedings of said commission and shall be maintained in the office of the director of the Office of the Municipal Capital Investment Commission and open for public inspection. Meetings of the Municipal Capital Investment Commission shall be called upon such notice as may be determined by the Municipal Capital Investment Commission and may be open to the

323 public.

324 (j) Bonds and refunding bonds shall be signed in the name of the  
325 state by the manual or facsimile signatures of at least three of the  
326 following: (1) The speaker of the House of Representatives, (2) the  
327 president pro tempore of the Senate, (3) the Treasurer or the Deputy  
328 Treasurer appointed pursuant to section 3-12 of the general statutes,  
329 and (4) the Comptroller. At least one of such signatures or the  
330 signature of an authenticating agent, certifying agent, registrar or  
331 transfer agent shall be a manual signature. Such bonds and refunding  
332 bonds may be issued notwithstanding that any of the officials signing  
333 them or whose facsimile signatures appear on the bonds has ceased to  
334 hold office at the time of such issue or at the time of the delivery of  
335 such bonds and refunding bonds to the purchaser.

336 (k) Notwithstanding any other provision of this section or of any  
337 bond act, bonds issued under this section may be sold at public sale on  
338 sealed proposals or, subject to the approval of the Municipal Capital  
339 Investment Commission, by negotiation, in such manner, at such price  
340 or prices, at such time or times and on such other terms and conditions  
341 as the Treasurer shall determine to be in the best interests of the state.  
342 The provisions of this subsection shall not apply to refunding bonds  
343 sold at private sale pursuant to subsection (h) hereof.

344 (l) With the exception of refunding bonds, whenever the Municipal  
345 Capital Investment Commission has adopted a resolution authorizing  
346 bonds, the Treasurer may, pending the issuing of such bonds, issue, in  
347 the name of the state, temporary notes and any renewals thereof in  
348 anticipation of the proceeds from the sale of such bonds, which notes  
349 and any renewals thereof shall be designated "Anticipation Notes".  
350 The proceeds from the sale of such notes shall be used only for those  
351 purposes for which may be used the proceeds of the sale of bonds in  
352 anticipation whereof such anticipation notes were issued. Such portion  
353 of the proceeds from the sale of such bonds as may be required for  
354 such purposes shall be applied to the payment of the principal of and  
355 interest on any such anticipation notes which have been issued.

356 (m) Any bond act may adopt the provisions of this section by  
357 reference to this section and such reference shall serve to incorporate  
358 the provisions of this section in said bond act as though set out in full  
359 therein. Notwithstanding such adoption by reference, said bond act  
360 may contain provisions applicable to the bonds issued thereunder,  
361 and, in case of conflict, the provisions in such bond act shall prevail.

362 (n) Bonds issued in accordance with the provisions of this section  
363 pursuant to any bond act are secured by the full faith and credit of the  
364 state, and as part of the contract of the state with the holders of said  
365 bonds, appropriation of all amounts necessary for punctual payment  
366 of principal of and interest on such bonds is hereby made and the  
367 Treasurer shall pay such principal and interest as the same become  
368 due.

369 (o) The Municipal Capital Investment Commission shall have power  
370 from time to time to transfer funds from any project or purpose under  
371 section 6 or 7 of this act, to the contingency reserve of said sections,  
372 provided said commission shall have authorized such transfer upon a  
373 finding that there has been filed with it a request for such transfer  
374 which is signed by or on behalf of the director of the Office of the  
375 Municipal Capital Investment Commission, stating that such projects  
376 or purposes have been completed and that such funds are excess  
377 moneys not needed for such project or purpose.

378 (p) The Municipal Capital Investment Commission may make  
379 representations and agreements for the benefit of the holders of any  
380 bonds, notes or other obligations of the state which are necessary or  
381 appropriate to ensure the exemption of interest on bonds, notes or  
382 other obligations of the state from taxation under the Internal Revenue  
383 Code of 1986 or any subsequent corresponding internal revenue code  
384 of the United States, as from time to time amended, including  
385 agreements to pay rebates to the federal government of investment  
386 earnings derived from the investment of the proceeds of bonds, notes  
387 or other obligations issued on or after January 1, 1986, or may delegate  
388 to the Treasurer the authority to make such representations and

389 agreements on behalf of the state. Any such agreement may include (1)  
390 a covenant to pay rebates to the federal government of investment  
391 earnings derived from the investment of the proceeds of bonds, notes  
392 or other obligations issued on or after January 1, 1986, (2) a covenant  
393 that the state will not limit or alter its rebate obligations until its  
394 obligations to the holders or owners of such bonds, notes or other  
395 obligations are finally met and discharged, and (3) provisions to (A)  
396 establish trust and other accounts which may be appropriate to carry  
397 out such representations and agreements, (B) retain fiscal agents as  
398 depositories for such funds and accounts, and (C) provide that such  
399 fiscal agents may act as trustee of such funds and accounts.

400 (q) The Municipal Capital Investment Commission may authorize,  
401 by vote of a majority of the members of said commission, bonds,  
402 refunding bonds, other obligations or borrowings in anticipation  
403 thereof in such form and manner that the interest on such bonds,  
404 refunding bonds, other obligations or borrowings in anticipation  
405 thereof may be includable under the Internal Revenue Code of 1986, or  
406 any subsequent corresponding internal revenue code of the United  
407 States, as from time to time amended, in the gross income of the  
408 holders or owners of such bonds, refunding bonds, other obligations or  
409 borrowings in anticipation thereof upon the finding by said  
410 commission that the issuance of such taxable bonds, refunding bonds,  
411 other obligations or borrowings in anticipation thereof is in the public  
412 interest.

413 (r) The Municipal Capital Investment Commission may establish the  
414 interest rate or rates payable upon any loans originated on or after July  
415 1, 2007, under any state loan programs pursuant to section 6 or 7 of  
416 this act, and funded by bonds issued under this section if no rate of  
417 interest is specified or required by said sections authorizing such loans.  
418 The Municipal Capital Investment Commission shall establish such  
419 rate or rates in order to achieve the goals and purposes of such loan  
420 programs, to achieve the best interests of the state and, to the extent  
421 deemed necessary or desirable by the Municipal Capital Investment  
422 Commission, to comply with the requirements of the Internal Revenue

423 Code of 1986, or any subsequent corresponding internal revenue code  
424 of the United States, as from time to time amended, and regulations  
425 promulgated thereunder.

426 (s) Notwithstanding any other provision of this section or of any  
427 bond act, bonds, refunding bonds, notes or other obligations in  
428 anticipation thereof authorized and issued under this section may  
429 include contract provisions for (1) the payment of interest either (A) at  
430 certain rates in the event such interest is excludable from the gross  
431 income of the holders or owners thereof under the Internal Revenue  
432 Code of 1986, or any subsequent corresponding internal revenue code  
433 of the United States, as from time to time amended, or (B) at certain  
434 other rates in the event such interest is includable in the gross income  
435 of the holders or owners thereof under the Internal Revenue Code of  
436 1986, or any subsequent corresponding internal revenue code of the  
437 United States, as from time to time amended, (2) the payment by the  
438 state of such costs and expenses as may be incurred by the holders or  
439 owners of such obligations pursuant to the contract with the state as a  
440 result thereof, and (3) other terms as the Treasurer shall determine to  
441 be in the best interests of the state. As part of the contract of the state  
442 with the holders or owners of such obligations, appropriation of all  
443 such amounts necessary for the punctual payment of any amounts  
444 required to be paid pursuant to any such contract provisions is hereby  
445 made and the Treasurer shall pay such amounts as aforesaid as the  
446 same becomes due.

447 (t) The Municipal Capital Investment Commission may make  
448 representations and agreements for the benefit of the holders of bonds,  
449 notes or other obligations of the state, or with respect to which the  
450 state is an obligated person, to provide secondary market disclosure  
451 information, or may delegate to the Treasurer the authority to make  
452 such representations and agreements on behalf of the state. Any such  
453 agreement may include: (1) Covenants to provide secondary market  
454 disclosure information, (2) arrangements for such information to be  
455 provided with the assistance of a paying agent, trustee or other agent,  
456 and (3) remedies for breach of such agreement, which remedies may be

457 limited to specific performance.

458 (u) The state shall protect and save harmless any official or former  
459 official of the state from financial loss and expense, including legal fees  
460 and costs, if any, arising out of any claim, demand, suit or judgment by  
461 reason of alleged negligence on the part of such official, while acting in  
462 the discharge of his or her official duties, in providing secondary  
463 market disclosure information or performing any other duties set forth  
464 in any agreement to provide secondary market disclosure information.  
465 Nothing in this section shall be construed to preclude the defense of  
466 governmental immunity to any such claim, demand or suit. For  
467 purposes of this subsection "official" means any person elected or  
468 appointed to office or any state employee. This subsection shall not  
469 apply to cases of wilful and wanton fraud.

470 (v) Notwithstanding any provision of the general statutes, public  
471 acts or special acts, upon any sale, lease or other disposition to or use  
472 by a nongovernmental entity of all or a portion of any project financed  
473 with proceeds of bonds of the state the interest on which is not  
474 included in gross income pursuant to Section 103 of the Internal  
475 Revenue Code of 1986, or any subsequent corresponding internal  
476 revenue code of the United States, as from time to time amended, that  
477 would otherwise cause such bonds to be treated as private activity  
478 bonds within the meaning of Section 141 of said internal revenue code,  
479 the Treasurer is authorized to transfer all or a portion of the proceeds  
480 received with respect to and at the time of such disposition or use, in  
481 an amount not less than the amount required by said internal revenue  
482 code to preserve the exclusion from gross income of interest on such  
483 bonds, (1) to the General Fund to pay debt service on, including  
484 redemption, defeasance or purchase of, outstanding bonds of the state  
485 the interest on which is not included in gross income pursuant to  
486 Section 103 of said internal revenue code, or (2) with the approval of  
487 the Municipal Capital Investment Commission, in lieu of the issuance  
488 of bonds, to the appropriate account or fund for any projects or  
489 purposes authorized by the Municipal Capital Investment Commission  
490 pursuant to a bond act and with the same force and effect as bond

491 proceeds, thereby reducing the authority to issue bonds by such dollar  
492 amount, provided in any event that any such transfer does not cause  
493 the interest on the subject bonds to become included in gross income  
494 pursuant to Section 103 of said internal revenue code.

495 Sec. 2. Section 2-71c of the general statutes is repealed and the  
496 following is substituted in lieu thereof (*Effective July 1, 2007*):

497 (a) The Joint Committee on Legislative Management shall create a  
498 legislative Office of Legislative Research, [and] a legislative Office of  
499 Fiscal Analysis, and a legislative Office of the Municipal Capital  
500 Investment Commission.

501 (b) The legislative Office of Legislative Research shall assist the  
502 General Assembly and the Legislative Department, legislative  
503 commissions and legislative committees in a research and advisory  
504 capacity as follows: (1) Assisting the development of legislative  
505 programs; (2) analyzing the long-range implications of the several  
506 alternative programs; (3) preparing abstracts, summaries, explanations  
507 of state executive agency and federal government reports; (4)  
508 informing the legislative leaders of action taken by the federal  
509 government with regard to problems of their particular concern and  
510 federal law; (5) assisting in the research and writing of interim reports;  
511 (6) preparing bill analyses and summaries; (7) assisting in hearings by  
512 preparing agendas, contacting potential witnesses, scheduling their  
513 appearances and analyzing testimonies; and (8) performing such other  
514 research and analysis services as may be determined by the Joint  
515 Committee on Legislative Management.

516 (c) The legislative Office of Fiscal Analysis shall assist the General  
517 Assembly and the Legislative Department, legislative commissions  
518 and legislative committees in a research and advisory capacity as  
519 follows: (1) Reviewing department and program operating budget  
520 requests; (2) analyzing and helping to establish priorities with regard  
521 to capital programs; (3) checking executive revenue estimates for  
522 accuracy; (4) recommending potential untapped sources of revenue; (5)  
523 assisting in legislative hearings and helping to schedule and prepare



524 the agenda of such hearings; (6) assisting in the development of means  
525 by which budgeted programs can be periodically reviewed; (7)  
526 preparing short analyses of the costs and long-range projections of  
527 executive programs and proposed agency regulations; (8) keeping  
528 track of federal aid programs to make sure that Connecticut is taking  
529 full advantage of opportunities for assistance; (9) reviewing, on a  
530 continuous basis, departmental budgets and programs; (10) analyzing  
531 and preparing critiques of the Governor's proposed budget; (11)  
532 studying, in depth, selected executive programs during the interim;  
533 (12) performing such other services in the field of finance as may be  
534 requested by the Joint Committee on Legislative Management; (13)  
535 preparing the fiscal notes, required under section 2-24, upon favorably  
536 reported bills which require expenditure of state or municipal funds or  
537 affect state or municipal revenue; (14) preparing at the end of each  
538 fiscal year a compilation of all fiscal notes on legislation and agency  
539 regulations taking effect in the next fiscal year, including the total  
540 costs, savings and revenue effects estimated in such notes; and (15)  
541 every second and fourth year after the effective date of each enacted  
542 bill, review the fiscal note of such bill to compare it to the fiscal note  
543 prepared at the time such bill was enacted. The governing body of any  
544 municipality, if requested, shall provide the Office of Fiscal Analysis,  
545 within two working days, with any information that may be necessary  
546 for analysis in preparation of such fiscal notes. Each officer, board,  
547 commission or department of the state government shall assist the  
548 Office of Fiscal Analysis in carrying out its duties and, if requested,  
549 shall make its records and accounts available to the office in a timely  
550 manner, except that where there are statutory requirements of  
551 confidentiality with regard to such records and accounts, the identity  
552 of any person to whom such records or accounts relate shall not be  
553 disclosed.

554 (d) The legislative Office of the Municipal Capital Investment  
555 Commission shall assist the General Assembly, the Legislative  
556 Department and the Municipal Capital Investment Commission in a  
557 research and advisory capacity as follows: (1) Reviewing requests for  
558 funding for projects and purposes; (2) analyzing and assisting to

559 establish priorities with regard to capital programs; (3) assisting in  
560 meetings of the Municipal Capital Investment Commission and  
561 helping to schedule and prepare the agenda of such meetings; (4)  
562 preparing analyses of the costs and long-range projections for the  
563 projects and purposes for which bonds may be issued; (5) performing  
564 periodic reviews of bonded indebtedness; (6) assisting the office of the  
565 Treasurer, as needed, in any issuance of bonds; (7) acting as liaison to  
566 regional councils of governments and assisting them as needed in  
567 reviewing requests for funding; (8) providing the annual report  
568 required pursuant to subdivision (4) of subsection (f) of section 1 of  
569 this act, and such interim reports as may be requested by the  
570 commission; and (9) performing such other research and analysis  
571 services as may be determined by the Municipal Capital Investment  
572 Commission.

573 [(d)] (e) Such legislative offices shall undertake research  
574 assignments as they may be assigned and in accordance with  
575 procedures established by the Joint Committee on Legislative  
576 Management.

577 [(e)] (f) The Joint Committee on Legislative Management shall  
578 appoint an executive director of the Joint Committee on Legislative  
579 Management, a director of the legislative Office of Legislative  
580 Research, [and] a director of the legislative Office of Fiscal Analysis  
581 and a director of the legislative Office of the Municipal Capital  
582 Investment Commission, and may employ professional and research  
583 staff, clerical assistants and other personnel as may be required to staff  
584 such offices, and the Comptroller is directed to draw his order on the  
585 Treasurer in payment of any sum approved by such committee from  
586 the appropriation to the Joint Committee on Legislative Management  
587 and legislative appropriations for the current and subsequent fiscal  
588 year.

589 Sec. 3. Subsection (a) of section 4-66c of the general statutes is  
590 repealed and the following is substituted in lieu thereof (*Effective July*  
591 *1, 2007*):

592 (a) For the purposes of subsection (b) of this section, the State Bond  
593 Commission shall have power, [from time to time] prior to July 1, 2007,  
594 to authorize the issuance of bonds of the state in one or more series  
595 and in principal amounts not exceeding in the aggregate one billion  
596 one hundred thirty-two million four hundred eighty-seven thousand  
597 five hundred forty-four dollars, provided sixty-five million dollars of  
598 said authorization shall be effective July 1, 2006. All provisions of  
599 section 3-20, or the exercise of any right or power granted thereby,  
600 which are not inconsistent with the provisions of this section, are  
601 hereby adopted and shall apply to all bonds authorized by the State  
602 Bond Commission pursuant to this section, and temporary notes in  
603 anticipation of the money to be derived from the sale of any such  
604 bonds so authorized may be issued in accordance with said section 3-  
605 20 and from time to time renewed. Such bonds shall mature at such  
606 time or times not exceeding twenty years from their respective dates as  
607 may be provided in or pursuant to the resolution or resolutions of the  
608 State Bond Commission authorizing such bonds. None of said bonds  
609 shall be authorized except upon a finding by the State Bond  
610 Commission that there has been filed with it a request for such  
611 authorization, which is signed by or on behalf of the Secretary of the  
612 Office of Policy and Management and states such terms and conditions  
613 as said commission in its discretion may require. Said bonds issued  
614 pursuant to this section shall be general obligations of the state and the  
615 full faith and credit of the state of Connecticut are pledged for the  
616 payment of the principal of and interest on said bonds as the same  
617 become due, and accordingly as part of the contract of the state with  
618 the holders of said bonds, appropriation of all amounts necessary for  
619 punctual payment of such principal and interest is hereby made, and  
620 the Treasurer shall pay such principal and interest as the same become  
621 due.

622 Sec. 4. Subsection (a) of section 4-66g of the general statutes is  
623 repealed and the following is substituted in lieu thereof (*Effective July*  
624 *1, 2007*):

625 (a) For the purposes described in subsection (b) of this section, the

626 State Bond Commission shall have the power, [from time to time] prior  
627 to July 1, 2007, to authorize the issuance of bonds of the state in one or  
628 more series and in principal amounts not exceeding in the aggregate  
629 one hundred million dollars, provided twenty million dollars of said  
630 authorization shall be effective July 1, 2006.

631 Sec. 5. (NEW) (*Effective July 1, 2007*) (a) On and after July 1, 2007, for  
632 the purposes of subsection (b) of this section, the Municipal Capital  
633 Investment Commission shall have power, from time to time to  
634 authorize the issuance of bonds of the state in one or more series and  
635 in principal amounts not exceeding in the aggregate one hundred sixty  
636 million dollars, provided eighty million dollars of said authorization  
637 shall be effective July 1, 2008. All provisions of section 1 of this act, or  
638 the exercise of any right or power granted thereby, which are not  
639 inconsistent with the provisions of this section, are hereby adopted  
640 and shall apply to all bonds authorized by the Municipal Capital  
641 Investment Commission pursuant to this section, and temporary notes  
642 in anticipation of the money to be derived from the sale of any such  
643 bonds so authorized may be issued in accordance with said section 1  
644 and from time to time renewed. Such bonds shall mature at such time  
645 or times not exceeding twenty years from their respective dates as may  
646 be provided in or pursuant to the resolution or resolutions of the  
647 Municipal Capital Investment Commission authorizing such bonds.  
648 None of said bonds shall be authorized except upon a finding by the  
649 Municipal Capital Investment Commission that there has been filed  
650 with it a request for such authorization, which is signed by or on  
651 behalf of the director of the legislative Office of the Municipal Capital  
652 Investment Commission, and states such terms and conditions as said  
653 commission in its discretion may require. Said bonds issued pursuant  
654 to this section shall be general obligations of the state and the full faith  
655 and credit of the state of Connecticut are pledged for the payment of  
656 the principal of and interest on said bonds as the same become due,  
657 and accordingly as part of the contract of the state with the holders of  
658 said bonds, appropriation of all amounts necessary for punctual  
659 payment of such principal and interest is hereby made, and the  
660 Treasurer shall pay such principal and interest as the same become

661 due.

662 (b) (1) The proceeds of the sale of said bonds, to the extent  
663 hereinafter stated, shall be used, subject to the provisions of  
664 subsections (c), (d) and (e) of this section, for the purpose of  
665 redirecting, improving and expanding state activities that promote  
666 community conservation and development and improve the quality of  
667 life for urban residents of the state by providing grants-in-aid for  
668 urban development projects, including economic and community  
669 development, transportation, environmental protection, public safety,  
670 children and families and social services projects and programs, and  
671 shall be administered by the Office of Policy and Management.

672 (2) Each regional council of governments may recommend such  
673 projects within such region as are a priority for receiving a grant-in-aid  
674 pursuant to this section. In reviewing proposals for such projects, a  
675 council shall ensure, prior to submitting any recommendations, that  
676 each project shall (A) enhance and promote the town, city or borough's  
677 plan of conservation and development, (B) conform to the state plan of  
678 conservation and development, and (C) complement the  
679 transportation strategy developed by the Transportation Strategy  
680 Board.

681 (3) In making funding decisions for projects recommended by a  
682 regional council of governments, the Municipal Capital Investment  
683 Commission shall take into consideration (A) the priorities established  
684 by each regional council of governments in making recommendations,  
685 (B) the distribution of funding for projects throughout the state, (C) the  
686 population that will be served by the recommended project, (D) the  
687 extent to which such project meets the plans and strategy pursuant to  
688 subdivision (2) of this subsection, and (E) the availability of funds.

689 (c) Any proceeds from the sale of bonds authorized pursuant to  
690 subsections (a) and (b) of this section or of temporary notes issued in  
691 anticipation of the moneys to be derived from the sale of such bonds  
692 may be used to fund grants-in-aid to municipalities or the grant-in-aid  
693 programs of the Department of Economic and Community

694 Development, Transportation, Environmental Protection or Social  
695 Services, or the Office of Policy and Management, including, but not  
696 limited to, financial assistance and expenses authorized under chapters  
697 128, 129, 130, 133, 136 and 298 of the general statutes, and section 16a-  
698 40a of the general statutes, provided any such program shall be  
699 implemented in an eligible municipality or is for projects in other  
700 municipalities which the Municipal Capital Investment Commission  
701 determines will help to meet the goals set forth in subsection (b) of this  
702 section. For the purposes of this section, "eligible municipality" means  
703 a municipality which is economically distressed within the meaning of  
704 subsection (b) of section 32-9p of the general statutes, which is  
705 classified as an urban center in any plan adopted by the General  
706 Assembly pursuant to section 16a-30 of the general statutes, which is  
707 classified as a public investment community within the meaning of  
708 subdivision (9) of subsection (a) of section 7-545 of the general statutes,  
709 or in which the Municipal Capital Investment Commission determines  
710 that the project in question will help meet the goals set forth in said  
711 subsection (b). Notwithstanding the provisions of this subsection,  
712 proceeds from the sale of bonds pursuant to this section may, with the  
713 approval of the Municipal Capital Investment Commission, be used  
714 for transit-oriented development projects, as defined in section 13b-79o  
715 of the general statutes, in any municipality.

716 (d) Any economic development project eligible for assistance under  
717 this section may include but not be limited to: (1) The construction or  
718 rehabilitation of commercial, industrial and mixed use structures; or  
719 (2) the construction, reconstruction or repair of roads, accessways and  
720 other site improvements. The state, acting by and in the discretion of  
721 the Secretary of the Office of Policy and Management, may enter into a  
722 contract for state financial assistance for any eligible economic or  
723 community development project in the form of a grant-in-aid. Any  
724 grant-in-aid shall be in an amount not in excess of the cost of the  
725 project for which the grant is made, as determined and approved by  
726 the director of the legislative Office of the Municipal Capital  
727 Investment Commission, in consultation with said secretary. Before  
728 entering into a grant-in-aid contract, said director and said secretary

729 shall review an application submitted to both offices on forms  
730 provided by the secretary. No project shall be undertaken until such  
731 review of the plans, specifications and estimated costs is undertaken,  
732 and, if necessary, adjustments agreed upon by said director and said  
733 secretary are made. The secretary, in consultation with said director,  
734 may adopt such regulations, in accordance with chapter 54 of the  
735 general statutes, as are necessary for the implementation of this  
736 section.

737 (e) Notwithstanding any provision of the general statutes to the  
738 contrary, whenever the Department of Economic and Community  
739 Development or the Office of Policy and Management is authorized by  
740 the general statutes to assess, collect or fund administrative expenses  
741 or service charges or otherwise recover costs or expenses incurred by  
742 the state in carrying out the provisions of any economic or community  
743 development project or program administered by the Department of  
744 Economic and Community Development, except in the case of  
745 administrative oversight charges described in section 8-37tt of the  
746 general statutes, amounts so assessed, collected or funded by the state  
747 may be used to pay any administrative expenses of the Department of  
748 Economic and Community Development and shall not be required to  
749 be used to pay expenses related to a particular project or program.

750 Sec. 6. (NEW) (*Effective July 1, 2007*) (a) On and after July 1, 2007, for  
751 the purposes described in subsection (b) of this section, the Municipal  
752 Capital Investment Commission shall have the power, from time to  
753 time, to authorize the issuance of bonds of the state in one or more  
754 series and in principal amounts not exceeding in the aggregate forty  
755 million dollars, provided twenty million dollars of said authorization  
756 shall be effective July 1, 2008.

757 (b) (1) The proceeds of the sale of said bonds, to the extent of the  
758 amount stated in subsection (a) of this section, shall be used by the  
759 Office of Policy and Management for a small town economic assistance  
760 program, the purpose of which shall be to provide grants-in-aid to any  
761 municipality that is not economically distressed within the meaning of

762 subsection (b) of section 32-9p of the general statutes, does not have an  
763 urban center in any plan adopted by the General Assembly pursuant  
764 to section 16a-30 of the general statutes, and is not a public investment  
765 community within the meaning of subdivision (9) of subsection (a) of  
766 section 7-545 of the general statutes. Such grants shall be used for  
767 purposes for which funds would be available under section 5 of this  
768 act. No municipality may receive more than five hundred thousand  
769 dollars in any one fiscal year under said program. Notwithstanding  
770 the provisions of this subsection and said section 5, a municipality that  
771 is (A) a distressed municipality within the meaning of subsection (b) of  
772 section 32-9p of the general statutes, or a public investment  
773 community within the meaning of subdivision (9) of subsection (a) of  
774 section 7-545 of the general statutes, and (B) otherwise eligible under  
775 this subsection for the small town economic assistance program, may  
776 elect to be eligible for said program in lieu of being eligible for  
777 financial assistance under said section 5, by a vote of its legislative  
778 body or, in the case of a municipality in which the legislative body is a  
779 town meeting, its board of selectmen, and submitting a written notice  
780 of such vote to the director of the legislative Office of the Municipal  
781 Capital Investment Commission. Any such election shall be for the  
782 four-year period following submission of such notice to the director  
783 and may be extended for additional four-year periods in accordance  
784 with the same procedure for the initial election.

785 (2) Each regional council of governments may recommend such  
786 projects within such region as are a priority for receiving a grant-in-aid  
787 pursuant to this section. In reviewing proposals for such projects, a  
788 council shall ensure, prior to submitting any recommendations, that  
789 each project shall (A) enhance and promote the town, city or borough's  
790 plan of conservation and development, (B) conform to the state plan of  
791 conservation and development, and (C) complement the  
792 transportation strategy developed by the Transportation Strategy  
793 Board.

794 (3) In making funding decisions for projects recommended by a  
795 regional council of governments, the Municipal Capital Investment



796 Commission shall take into consideration (A) the priorities established  
797 by each regional council of governments in making recommendations,  
798 (B) the distribution of funding for projects throughout the state, (C) the  
799 population that will be served by the recommended project, (D) the  
800 extent to which such project meets the plans and strategy pursuant to  
801 subdivision (2) of this subsection, and (E) the availability of funds.

802 (c) All provisions of section 1 of this act, or the exercise of any right  
803 or power granted thereby, which are not inconsistent with the  
804 provisions of this section are hereby adopted and shall apply to all  
805 bonds authorized by the Municipal Capital Investment Commission  
806 pursuant to this section, and temporary notes in anticipation of the  
807 money to be derived from the sale of any such bonds so authorized  
808 may be issued in accordance with said section 1 and from time to time  
809 renewed. Such bonds shall mature at such time or times not exceeding  
810 twenty years from their respective dates as may be provided in or  
811 pursuant to the resolution or resolutions of the Municipal Capital  
812 Investment Commission authorizing such bonds. None of said bonds  
813 shall be authorized except upon a finding by the Municipal Capital  
814 Investment Commission that there has been filed with it a request for  
815 such authorization which is signed by or on behalf of the director of  
816 the legislative Office of the Municipal Capital Investment Commission  
817 and states such terms and conditions as said commission, in its  
818 discretion, may require. Said bonds issued pursuant to this section  
819 shall be general obligations of the state and the full faith and credit of  
820 the state of Connecticut are pledged for the payment of the principal of  
821 and interest on said bonds as the same become due, and accordingly  
822 and as part of the contract of the state with the holders of said bonds,  
823 appropriation of all amounts necessary for punctual payment of such  
824 principal and interest is hereby made, and the State Treasurer shall pay  
825 such principal and interest as the same become due.

826 (d) Any grant-in-aid allowed under the small town economic  
827 assistance program under this section may be administered on behalf  
828 of the Office of Policy and Management by another state agency as  
829 determined by the Secretary of the Office of Policy and Management.

830 (e) Notwithstanding the provisions of section 16a-31 of the general  
831 statutes, no municipality that has a population of less than fifteen  
832 thousand as determined by the most recent decennial census and in  
833 which at least five thousand five hundred acres of land but not more  
834 than six thousand acres of land is owned by a regional water authority  
835 shall be denied a grant pursuant to subsections (a) to (d), inclusive, of  
836 this section for a sewer project solely because such project is not  
837 consistent with the locational guide map accompanying the state plan  
838 of conservation and development adopted under chapter 297 of the  
839 general statutes.

840 Sec. 7. (*Effective July 1, 2007*) On and after July 1, 2007, the State Bond  
841 Commission shall not allocate any bonds authorized pursuant to  
842 section 4-66c or 4-66g of the general statutes.

843 Sec. 8. Subsection (a) of section 2-27b of the general statutes is  
844 repealed and the following is substituted in lieu thereof (*Effective July*  
845 *1, 2007*):

846 (a) Each bond act, as defined in section 3-20 and section 1 of this act,  
847 shall be reviewed by the joint standing committee of the General  
848 Assembly having cognizance of matters relating to state finance,  
849 revenue and bonding no later than five years following the effective  
850 date of such act. Such review shall include, but not be limited to,  
851 consideration of the amount expended prior to such review on any  
852 project provided for in such act and the total cost for completion of  
853 such project. Said committee may request whatever information is  
854 required to conduct such review from any state official, board,  
855 commission or department and such information shall be provided to  
856 said committee within fourteen days following receipt of such request.  
857 Upon completion of its review, said committee shall recommend to the  
858 General Assembly whatever legislation it shall deem necessary with  
859 respect to such project.

860 Sec. 9. Section 3-20a of the general statutes is repealed and the  
861 following is substituted in lieu thereof (*Effective July 1, 2007*):

862 (a) Provisions of this section shall apply to general obligation bonds  
863 or notes issued pursuant to section 3-20, section 1 of this act, special tax  
864 obligation bonds or notes issued pursuant to sections 13b-74 to 13b-77,  
865 inclusive, abandoned property fund bonds issued pursuant to section  
866 3-62h, Clean Water Fund bonds or notes issued pursuant to section  
867 22a-483, Bradley International Airport bonds or notes issued pursuant  
868 to sections 15-101k to 15-101p, inclusive, unemployment compensation  
869 bonds or notes issued pursuant to sections 31-264a and 31-264b,  
870 UConn 2000 bonds or notes issued pursuant to sections 10a-109a to  
871 10a-109y, inclusive, Second Injury Fund bonds or notes issued  
872 pursuant to section 31-354b and sections 8 and 9 of public act 96-242\*,  
873 and revenue anticipation bonds issued pursuant to section 13b-79r.

874 (b) The State Treasurer may obtain from a commercial bank or  
875 insurance company authorized to do business within or without this  
876 state a letter of credit, line of credit or other liquidity facility or credit  
877 facility for the purpose of providing funds for the payments in respect  
878 of bonds, notes or other obligations required by the holder thereof to  
879 be redeemed or repurchased prior to maturity or for providing  
880 additional security for such bonds, notes or other obligations. In  
881 connection therewith, with the authorization of the State Bond  
882 Commission, or the Municipal Capital Investment Commission, as  
883 appropriate, the State Treasurer may enter into reimbursement  
884 agreements, remarketing agreements, standby bond purchase  
885 agreements and any other necessary or appropriate agreements on  
886 behalf of the state. The State Bond Commission or the Municipal  
887 Capital Investment Commission may, at its discretion, authorize the  
888 State Treasurer to pledge the full faith and credit of the state, to the  
889 extent the full faith and credit of the state is pledged to secure the  
890 bonds or notes for which the liquidity or credit facility is obtained, or  
891 to pledge the collateral that secures the applicable bonds or notes, to  
892 the state's payment obligations under any agreement entered into  
893 pursuant to this section. As part of the contract of the state with the  
894 other parties to any agreement entered into pursuant to this section for  
895 which the full faith and credit of the state is pledged to the state's  
896 payment obligations under such agreement, appropriation of all

897 amounts necessary for the punctual payment of the obligations of the  
898 state under any such agreement is hereby made and the State  
899 Treasurer shall pay such amounts as the same become due. The initial  
900 costs of such agreements may be paid from the accrued interest and  
901 premium received on the sale of such bonds.

902 (c) In connection with or incidental to the carrying of bonds or notes  
903 or in connection with or incidental to the sale and issuance of bonds or  
904 notes, the State Treasurer, with the authorization of the State Bond  
905 Commission or the Municipal Capital Investment Commission, as  
906 appropriate, may enter into such contracts as the State Treasurer may  
907 determine to be necessary or appropriate to place the obligation of the  
908 state, as represented by the bonds or notes, in whole or in part, on such  
909 interest rate or cash flow basis as the State Treasurer may determine,  
910 including without limitation, interest rate swap agreements, insurance  
911 agreements, forward payment conversion agreements, futures  
912 contracts, contracts providing for payments based on levels of, or  
913 changes in, interest rates or market indices, contracts to manage  
914 interest rate risk, including without limitation interest rate floors or  
915 caps, options, puts, calls and similar arrangements. Such contracts  
916 shall contain such payment, security, default, remedy and other terms  
917 and conditions as the State Treasurer may deem appropriate and shall  
918 be entered into with such party or parties as the State Treasurer may  
919 select, after giving due consideration, where applicable, for the  
920 creditworthiness of the counter party or counter parties, including any  
921 rating by a nationally recognized rating agency, the impact on any  
922 rating on outstanding bonds or notes or any other criteria as the State  
923 Treasurer may deem appropriate, provided the unsecured long-term  
924 obligations of the counter party is rated the same or higher than the  
925 underlying rating of the state on the applicable bonds or notes by at  
926 least one nationally recognized rating agency. The State Bond  
927 Commission or the Municipal Capital Investment Commission may, at  
928 its discretion, authorize the State Treasurer to pledge the full faith and  
929 credit of the state, to the extent the full faith and credit of the state is  
930 pledged to secure the applicable bonds or notes, or to pledge all of any  
931 part of the collateral that secures the applicable bonds or notes, to the

932 state's payment obligations under any contract entered into pursuant  
933 to this section. As part of the contract of the state with the other parties  
934 to any agreement entered into pursuant to this section for which the  
935 full faith and credit of the state is pledged to the state's payment  
936 obligations under such agreement, appropriation of all amounts  
937 necessary for the punctual payment of the obligations of the state  
938 under any such agreement is hereby made and the State Treasurer  
939 shall pay such amounts as the same become due. The initial costs of  
940 such contracts may be paid from the accrued interest and premium  
941 received on the sale of such bonds.

942 Sec. 10. Section 3-20b of the general statutes is repealed and the  
943 following is substituted in lieu thereof (*Effective July 1, 2007*):

944 The Treasurer may enter into an agreement or an indenture of trust  
945 with a commercial bank or trust company authorized to do business  
946 within or without the state to act as trustee for the benefit of the  
947 holders or owners of bonds, notes or other obligations of the state, to  
948 provide for the timely payment of principal and interest on or  
949 repurchase of such bonds, notes or other obligations, and for payments  
950 under any agreement entered into pursuant to section 3-20a, as  
951 amended by this act, from funds deposited at the direction of the  
952 Treasurer with such trustee, subject to the approval of such agreement  
953 or indenture of trust by the State Bond Commission or the Municipal  
954 Capital Investment Commission, as appropriate. Such agreement or  
955 indenture of trust may include provisions regarding the establishment  
956 and maintenance of reserves, sinking funds and any other funds and  
957 accounts as shall be approved by the State Bond Commission or the  
958 Municipal Capital Investment Commission, as appropriate, in such  
959 amount as may be established by the State Bond Commission or the  
960 Municipal Capital Investment Commission, and the regulation and  
961 disposition thereof, including requirements that any such funds and  
962 accounts be held separate from and not be commingled with other  
963 funds of the state and to deposit therein any moneys appropriated for  
964 the payment of such principal and interest. Any moneys in such fund  
965 or funds which remain unexpended at the end of any fiscal year shall

966 be carried forward to the next fiscal year.

967 Sec. 11. Section 3-20c of the general statutes is repealed and the  
968 following is substituted in lieu thereof (*Effective July 1, 2007*):

969 The provisions of section 4-89 shall not apply to any appropriations  
970 for debt service on bonds, notes or other obligations of the state not  
971 expended during the fiscal year used to fund an account established to  
972 moderate the effect of interest rate fluctuations on variable rate debt of  
973 the state issued under section 3-20 or section 1 of this act, or to place  
974 the obligation of the state, as represented by any bonds or notes, on an  
975 interest rate or cash flow basis as provided by subsection (c) of section  
976 3-20a, as amended by this act. Such appropriations shall not lapse  
977 except pursuant to the provisions of any trust instrument or other  
978 agreement established in connection with such variable rate debt, or  
979 such different interest rate or cash flow basis.

980 Sec. 12. Section 3-21 of the general statutes is repealed and the  
981 following is substituted in lieu thereof (*Effective July 1, 2007*):

982 (a) No bonds, notes or other evidences of indebtedness for  
983 borrowed money payable from General Fund tax receipts of the state  
984 shall be authorized by the General Assembly or issued except such as  
985 shall not cause the aggregate amount of the total amount of bonds,  
986 notes or other evidences of indebtedness payable from General Fund  
987 tax receipts authorized by the General Assembly but which have not  
988 been issued and the total amount of such indebtedness which has been  
989 issued and remains outstanding to exceed one and six-tenths times the  
990 total General Fund tax receipts of the state for the fiscal year in which  
991 any such authorization will become effective or in which such  
992 indebtedness is issued, as estimated for such fiscal year by the joint  
993 standing committee of the General Assembly having cognizance of  
994 finance, revenue and bonding in accordance with section 2-35. In  
995 computing such aggregate amount of indebtedness at any time, there  
996 shall be excluded or deducted, as the case may be, (1) the principal  
997 amount of all such obligations as may be certified by the Treasurer (A)  
998 as issued in anticipation of revenues to be received by the state during

999 the period of twelve calendar months next following their issuance and  
1000 to be paid by application of such revenue, or (B) as having been  
1001 refunded or replaced by other indebtedness the proceeds and  
1002 projected earnings on which or other funds are held in escrow to pay  
1003 and are sufficient to pay the principal, interest and any redemption  
1004 premium until maturity or earlier planned redemption of such  
1005 indebtedness, or (C) as issued and outstanding in anticipation of  
1006 particular bonds then unissued but fully authorized to be issued in the  
1007 manner provided by law for such authorization, provided, as long as  
1008 any of such obligations are outstanding, the entire principal amount of  
1009 such particular bonds thus authorized shall be deemed to be  
1010 outstanding and be included in such aggregate amount of  
1011 indebtedness, or (D) as payable solely from revenues of particular  
1012 public improvements, (2) the amount which may be certified by the  
1013 Treasurer as the aggregate value of cash and securities in debt  
1014 retirement funds of the state to be used to meet principal of  
1015 outstanding obligations included in such aggregate amount of  
1016 indebtedness, (3) every such amount as may be certified by the  
1017 Secretary of the Office of Policy and Management as the estimated  
1018 payments on account of the costs of any public work or improvement  
1019 thereafter to be received by the state from the United States or agencies  
1020 thereof and to be used, in conformity with applicable federal law, to  
1021 meet principal of obligations included in such aggregate amount of  
1022 indebtedness, (4) all authorized and issued indebtedness to fund any  
1023 budget deficits of the state for any fiscal year ending on or before June  
1024 30, 1991, (5) all authorized indebtedness to fund the program created  
1025 pursuant to section 32-285, (6) all authorized and issued indebtedness  
1026 to fund any budget deficits of the state for any fiscal year ending on or  
1027 before June 30, 2002, (7) all indebtedness authorized and issued  
1028 pursuant to section 1 of public act 03-1 of the September 8 special  
1029 session\*, (8) all authorized indebtedness issued pursuant to section 3-  
1030 62h, and (9) any indebtedness represented by any agreement entered  
1031 into pursuant to subsection (b) or (c) of section 3-20a as certified by the  
1032 Treasurer, provided the indebtedness in connection with which such  
1033 agreements were entered into shall be included in such aggregate

1034 amount of indebtedness. In computing the amount of outstanding  
1035 indebtedness, only the accreted value of any capital appreciation  
1036 obligation or any zero coupon obligation which has accreted and been  
1037 added to the stated initial value of such obligation as of the date of any  
1038 computation shall be included.

1039 (b) The foregoing limitation on the aggregate amount of  
1040 indebtedness of the state shall not prevent the issuance of (1)  
1041 obligations to refund or replace any such indebtedness existing at any  
1042 time in an amount not exceeding such existing indebtedness, or (2)  
1043 obligations in anticipation of revenues to be received by the state  
1044 during the period of twelve calendar months next following their  
1045 issuance, or (3) obligations payable solely from revenues of particular  
1046 public improvements.

1047 (c) For the purposes of this section, but subject to the exclusions or  
1048 deductions herein provided for, the state shall be deemed to be  
1049 indebted upon, and to issue, all bonds and notes issued or guaranteed  
1050 by it and payable from General Fund tax receipts. To the extent  
1051 necessary because of the debt limitation herein provided, priorities  
1052 with respect to the issuance or guaranteeing of bonds or notes by the  
1053 state shall be determined jointly by the State Bond Commission and  
1054 the Municipal Capital Investment Commission.

1055 (d) The General Assembly shall not approve any bill which  
1056 authorizes the issuance of any bonds, notes or other evidences of  
1057 indebtedness unless such bill has attached to it a certification by the  
1058 Treasurer that the amount of authorizations within the bill will not  
1059 cause the total amount of indebtedness calculated in accordance with  
1060 this section to exceed the limit for indebtedness set forth in this section.

1061 (e) [The] Neither the State Bond Commission [shall not] nor the  
1062 Municipal Capital Investment Commission shall adopt any resolution  
1063 which authorizes the issuance of any bonds, notes or other evidences  
1064 of indebtedness unless such resolution has attached to it a certification  
1065 by the Treasurer that the amount of such authorization will not cause  
1066 the total amount of indebtedness calculated in accordance with this



1067 section to exceed the limit for indebtedness set forth in this section.

1068 (f) The provisions of this section shall not apply to any bonds, notes  
 1069 or other evidences of indebtedness for borrowed money which are  
 1070 issued for the purpose of: (1) Meeting cash flow needs; or (2) covering  
 1071 emergency needs in times of natural disaster.

1072 Sec. 13. Section 3-21b of the general statutes is repealed and the  
 1073 following is substituted in lieu thereof (*Effective July 1, 2007*):

1074 (a) Notwithstanding the provisions of any general statute, public act  
 1075 or special act, upon a determination by the Treasurer and approval by  
 1076 the State Bond Commission or the Municipal Capital Investment  
 1077 Commission, as appropriate, that unexpended proceeds of general  
 1078 obligation bonds of the state issued pursuant to section 3-20 or section  
 1079 1 of this act, and accounted for in a general obligation bond fund of the  
 1080 state established by the Treasurer are no longer required for any of the  
 1081 purposes or projects funded or remaining to be funded from amounts  
 1082 in such bond fund, the Treasurer is authorized to transfer all or any  
 1083 portion of said unexpended bond proceeds from such bond fund for  
 1084 further credit to the General Fund, provided the Treasurer shall further  
 1085 determine that such transfer shall not adversely affect the exclusion  
 1086 from gross income of the interest on the bonds from which such  
 1087 unexpended proceeds were derived pursuant to Section 103 of the  
 1088 Internal Revenue Code of 1986 or any corresponding internal revenue  
 1089 code of the United States, as from time to time amended.

1090 (b) The provisions of subsection (a) of this section shall not apply to  
 1091 any consolidated amounts, as defined in section 8-37rr.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2007</i>	New section
Sec. 2	<i>July 1, 2007</i>	2-71c
Sec. 3	<i>July 1, 2007</i>	4-66c(a)
Sec. 4	<i>July 1, 2007</i>	4-66g(a)
Sec. 5	<i>July 1, 2007</i>	New section

Sec. 6	<i>July 1, 2007</i>	New section
Sec. 7	<i>July 1, 2007</i>	New section
Sec. 8	<i>July 1, 2007</i>	2-27b(a)
Sec. 9	<i>July 1, 2007</i>	3-20a
Sec. 10	<i>July 1, 2007</i>	3-20b
Sec. 11	<i>July 1, 2007</i>	3-20c
Sec. 12	<i>July 1, 2007</i>	3-21
Sec. 13	<i>July 1, 2007</i>	3-21b

**FIN**      *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

### **OFA Fiscal Note**

#### **State Impact:**

Agency Affected	Fund-Effect	FY 08 \$	FY 09 \$
Legislative Mgmt.	GF - Cost	275,000	275,000
Comptroller Misc. Accounts (Fringe Benefits)	GF - Cost	63,210	147,490
Treasurer, Debt Serv.	GF - Cost	See Below	See Below
Various State Agencies	GF - Cost	Potential	Potential

Note: GF=General Fund

**Municipal Impact:** None

#### **Explanation**

The bill establishes an 11-member Municipal Capital Investment Commission (MCIC) made up of legislative members and the secretary of the Office of Policy and Management. There is no fiscal impact to hold a MCIC meeting during the legislative session. If not in session, holding a commission meeting will result in minimal costs to Legislative Management for legislator mileage reimbursements (currently 48.5 cents per mile).

The bill requires the Joint Committee on Legislative Management to establish, and appoint an executive director for, an Office of the Municipal Capital Investment Commission to serve as the MCIC's staff. The total cost for the MCIC is estimated to be \$275,000 in each of FY 08 and FY 09. An executive director (approximately \$125,000 annualized) and two analyst positions (estimated at \$60,000 per position, annualized), plus fringe benefits<sup>1</sup>, are needed to carryout the

<sup>1</sup> The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller. The estimated first year fringe benefit rate for a new employee as a percentage of average salary is 25.8%, effective July 1, 2006. The first year fringe benefit costs for new positions do not include pension costs. The state's pension contribution is based upon the prior year's certification by the actuary for the State Employees Retirement System (SERS). The

duties of the MCIC. Additionally, the MCIC will require funding of \$25,000 for Other Expenses and \$5,000 for Equipment.

The bill authorizes the issuance of \$100 million in each of FY 08 and FY 09 in General Obligation (GO) bonds for the MCIC. The General Fund debt service cost in each fiscal year to bond \$100 million over 20 years at a 5.0% rate of interest is \$152.5 million.

The bill could result in workload increases for agencies to administer the grants-in-aid allocated by the MCIC that would require additional General Fund budgetary resources. This would depend on the number and type of projects approved, which is unknown at this time.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

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SERS 2006-07 fringe benefit rate is 34.4%, which when combined with the non pension fringe benefit rate totals 60.2%.

**OLR Bill Analysis****SB 1450*****AN ACT ESTABLISHING A MUNICIPAL CAPITAL INVESTMENT COMMISSION.*****SUMMARY:**

The bill transfers authority for issuing state general obligation and refunding bonds and temporary notes for Urban Action and Small Town Economic Development Program (STEAP) projects from the State Bond Commission to a new Municipal Capital Investment Commission (MCIC) it establishes. The MCIC is an 11-member commission made up of the six legislative leaders, chairpersons and ranking members of the Finance, Revenue and Bonding Committee, and Office of Policy and Management (OPM) secretary, or their designees. The bill also requires the Legislative Management Committee to establish a legislative office to serve as the MCIC's staff.

The bill eliminates the State Bond Commission's power to authorize bonds for STEAP and Urban Act projects as of July 1, 2007. Instead, the bill allows the MCIC to authorize up to \$100 million per year in state general obligation bonds for Urban Action and STEAP projects. Once the MCIC authorizes an amount, it must be allocated without further approval by the governor or any other authorizations that may otherwise be required.

With some exceptions, the bill applies the same issuance powers and requirements to the MCIC and the bonds it authorizes as currently apply to the State Bond Commission. It requires the MCIC and the State Bond Commission to jointly establish priorities for issuing state general obligation debt when necessary to comply with the state's bond cap. It extends to the MCIC the same responsibilities and restrictions as already apply to the State Bond Commission for complying with the bond cap.

Finally, the bill makes technical and conforming changes.

EFFECTIVE DATE: July 1, 2007, except for the provisions establishing the Municipal Capital Investment Commission and its authority, which take effect October 1, 2007.

### **MUNICIPAL CAPITAL INVESTMENT COMMISSION**

The MCIC is made up of the House speaker, Senate president pro tempore, and House and Senate majority and minority leaders; chairpersons and ranking members of the Finance, Revenue and Bonding Committee; and OPM secretary. As with bond commission members, each MCIC member can designate a deputy to represent him or her at MCIC meetings. The House speaker and Senate president pro tempore are the commission co-chairpersons and must schedule all its meetings.

The bill generally applies to the MCIC and the bonds it allocates the same issuance powers and requirements as apply to the bond commission under the current bond act. The exceptions are that the bill:

1. directs required filings for MCIC-allocated bonds to the executive director of the legislative Office of the Municipal Capital Investment Commission the bill establishes instead of to the OPM secretary;
2. allows the MCIC executive director, as appropriate, to ask the regional council of governments where the proposed project or purpose is located for a statement that it has reviewed and endorsed the project or purpose;
3. requires agendas for MCIC meetings to be agreed to by the commission's co-chairpersons and available seven calendar days, rather than five business days, before the meeting, counting the day of the meeting; and
4. once the MCIC authorizes a project, requires the money to be

allocated for it without further allotment approval by the governor or any other authorization.

The bill requires bonds authorized by the MCIC to be signed by at least three of the following officials: the House speaker, Senate president pro tempore, state treasurer or deputy treasurer, and the state comptroller. Currently, all state general obligation bonds must be signed by at least two of the following: the governor, state treasurer or deputy treasurer, and state comptroller.

### **LEGISLATIVE OFFICE OF THE MUNICIPAL CAPITAL INVESTMENT COMMISSION**

The bill requires the Joint Committee on Legislative Management (JCLM) to establish, and appoint an executive director for, an Office of the Municipal Capital Investment Commission to serve as the MCIC's staff. In general, it gives the office director the same duties for the MCIC as the OPM secretary has for the State Bond Commission, namely to serve as the MCIC's secretary, keep its records and minutes and make them available for public inspection, and receive the filings required for the MCIC to authorize bonds.

As the law allows the State Bond Commission to do, the bill allows the MCIC to delegate to the state treasurer authority to make various decisions in the state's best interest about the terms and conditions for issuing the bonds, such as the principal amount, the interest rate, the timing of the issuance and similar issues. If the treasurer exercises these powers, he or she must file a certificate of determination containing the details of those decisions with the State Bond Commission or the MCIC, as appropriate. For bonds authorized by the MCIC, the bill requires the treasurer to file the certificate with the "secretary of the MCIC." (It is not clear who this official is. The bill does not define or make any other references to him or her.)

The bill allows JCLM to employ professional, research, clerical, and other personnel required to staff the office. It requires the office to provide the General Assembly, the Legislative Department, and the MCIC with research and advisory assistance in:

1. reviewing funding requests for projects and purposes;
2. analyzing and helping establish priorities for capital programs;
3. helping with MCIC meetings, including scheduling and preparing agendas for meetings;
4. analyzing costs and making long-range projections for projects and purposes for which the MCIC may issue bonds;
5. periodically reviewing bonded indebtedness;
6. helping the state treasurer's office, as needed, with bond issuance;
7. acting as liaison to regional councils of governments and helping them as needed to review funding requests;
8. providing any interim reports the MCIC requests; and
9. carrying out research and analysis as the MCIC requires.

The bill requires the office to submit an annual report to the MCIC, starting by January 1, 2008, that updates, for all the MCIC's outstanding bond authorizations, the full cost of the project or purpose when completed and the estimated operating costs for any building, equipment, or facility to be built or acquired. OPM is currently required to file such a report with the State Bond Commission.

#### **URBAN ACT AND STEAP BOND AUTHORIZATIONS AND COMMISSION ALLOCATIONS**

For FYs 08 and 09, the bill allows the MCIC to authorize up to \$80 million per year in Urban Action bonds and up to \$20 million per year in STEAP bonds. The bonds must be used for grants-in-aid administered by OPM for urban and community development projects.

The bill allows regional councils of governments to recommend projects in their regions as priorities for funding. In reviewing projects



before submitting recommendations to the MCIC, councils must ensure that each project:

1. enhances and promotes the local plan of conservation and development (C&D),
2. conforms to the State Plan of C&D, and
3. complements the Transportation Strategy Board's transportation strategy.

In making funding decisions regarding these recommended projects, the MCIC must consider:

1. each council's priorities in making recommendations,
2. distribution of funds for projects throughout the state,
3. the population a project will serve,
4. the extent to which a project meets the C&D plans and transportations strategies, and
5. availability of funds.

For the Urban Action projects, the bill allows the OPM secretary, rather than the Department of Economic and Community Development commissioner, to fund any eligible economic or community development project through a contract for a grant-in-aid. The bill requires that the MCIC office's executive director approve a project grant, in consultation with the OPM secretary. It requires the grant application to be submitted to both OPM and the MCIC office and requires the office director and the OPM secretary to review the proposed project and agree on any adjustments to it. It requires the OPM secretary to consult with the MCIC executive director in adopting any regulations to implement these provisions.

## **BACKGROUND**

### ***State Bond Commission***

The State Bond Commission is a 10-member executive-legislative committee consisting of the governor, treasurer, comptroller, attorney general, OPM secretary, public works commissioner, and chairpersons and ranking members of the Finance, Revenue and Bonding Committee. The commission meets periodically (usually monthly) to allocate bonds the General Assembly has authorized to particular projects. The governor is the chairperson of the commission. By law, the OPM secretary acts as the commission's secretary, publishes its agenda, and keeps its records and minutes.

***Related Bill***

sHB 7331, reported favorably by the Finance, Revenue and Bonding Committee, requires (1) the governor, House speaker, and Senate president pro tempore to agree jointly on the agendas for each State Bond Commission meeting; (2) commission agendas to be available to commission members at least nine calendar days, rather than five business days, before the meeting; and (3) the Office of Fiscal Analysis to analyze the agenda items and make its analysis available to commission members at least four days before the meeting.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable

Yea    35    Nay   18    (04/17/2007)